



CITY OF STOCKTON

ECONOMIC DEVELOPMENT DEPARTMENT

Housing, Economic Development, Asset Management, and Parking Authority

400 East Main Street, 4th Floor • Stockton, CA 95202-3000 • 209/937-8539 • Fax 209/937-5099

www.stocktonca.gov

September 20, 2022

Kimberly Nash
Community Planning and Development
US Department of Housing and Urban Development
One Sansome Street, Suite 1200
San Francisco, CA 94104-4430

RE: **Results of Federal Fiscal Year (FFY) 2022 Remote Monitoring Review
Community Development Block Grant Program (CARES) (CDBG-CV)
Emergency Solutions Grant Program (CARES) (ESG-CV)
Monitoring Dates: June 13, 2022, to June 20, 2022**

The following are the City of Stockton's responses to U.S. Department of Housing and Urban Development's (HUD) August 23, 2022, letter regarding the FFY 2022 Remote Monitoring Review for CDBG-CV and ESG-CV programs.

HUD Review Finding 2022-01: The written policies and procedures of the subrecipient did not include documentation pertaining to Equal Access in accordance with (24 CFR Section 5.106(b), 5.106(b)(3), and 5.106(d):

1. Written policies and procedures ensuring equal access is provided to individuals in accordance with the individual's gender identity, and in a manner that affords equal access to the individual's family.
2. Written policies and procedures ensuring that individuals are placed, served, and accommodated in accordance with their gender identity and are not subjected to intrusive questioning or asked to provide anatomical information or documentary, physical, or medical evidence of the individual's gender identity.

HUD Corrective Action: Within 30 days from August 23, 2022, HUD requested that the City of Stockton update and submit the written standards to include Equal Access language.

City Response:

Central Valley Low Income Housing Corp. (CVLIHC) updated its Policies and Procedures governing all CVLIHC projects, including its Acceptance Agreement for Rapid Re-Housing and Permanent Supportive Housing projects, to specifically include language guaranteeing equal access in accordance with an individual's gender identity and that individual's family, and furthermore that individuals are placed, served, and accommodated in accordance with their gender identity without being subjected to intrusive questioning or requests for documentary, physical, or medical evidence of the individual's gender identity. (See letter from CVLIHC, Attachment 1)

See, attached:

- Attachment 2: Personnel Policies and Procedures, §VI(F)(6)
- Attachment 3: Rapid Re-Housing Assistance Payment Contract §X(B)
- Attachment 4: Permanent Supportive Housing Assistance Payment Contract §X(B)

HUD Review Finding 2022-02: The lease agreements and the rental assistance agreements between the subrecipient and owner of the housing did not include the protections for victims of domestic violence, dating violence, sexual assault, or stalking who are applying for or are the beneficiaries of assistance under a HUD program covered by the violence Against Women Act (VAWA).

HUD Corrective Action: Within 30 days from August 23, 2022, HUD requests that the City of Stockton update the written standards to include details to include the VAWA requirements in the lease agreements and rental assistance agreement and submit an updated rental assistance and lease agreement template to include VAWA requirements.

City Response:

CVLIHC updated its Housing Contract for Rapid Re-Housing and Permanent Supportive Housing projects to include the specific standards in 24 CFR 576.106(e), 24 CFR Section 576.409(d), and to include language stipulating all leases signed between a landlord and/or property manager and client of CVLIHC must abide by those standards in accordance with federal law. Furthermore, the City of Stockton also updated its ESG-CV policies and procedures with the language in accordance with federal law (Attachment 5).

Kimberly Nash
September 20, 2022
Page 3

See, attached:

- Attachment 3: Rapid Re-Housing Assistance Payment Contract §X(G)
- Attachment 4: Permanent Supportive Housing Assistance Payment Contract §X(F)

If you have any questions or need any additional information, please contact Carrie Wright, Director of Economic Development by email at carrie.wright@stocktonca.gov or by telephone at 209-937-8694.

A handwritten signature in blue ink, appearing to read 'CW', is positioned above the typed name of the sender.

CARRIE WRIGHT, DIRECTOR
ECONOMIC DEVELOPMENT DEPARTMENT

CW:wms

Attachments



U.S. Department of Housing and Urban Development

San Francisco Regional Office - Region IX

One Sansome Street, Suite 1200

San Francisco, California 94104-4430

www.hud.gov

espanol.hud.gov

August 23, 2022

Harry Black
City Manager
City of Stockton
425 S El Dorado
Stockton, CA 95202-3003

Dear Mr. Black:

SUBJECT: Results of Federal Fiscal Year (FFY) 2022 Remote Monitoring Review
Community Development Block Grant Program (CARES) (CDBG-CV)
Emergency Solutions Grant Program (CARES) (ESG-CV)
Monitoring Dates: June 13, 2022, to June 20, 2022

During the period of June 13, 2022, through June 20, 2022, the U.S. Department of Housing and Urban Development (HUD or Department) conducted a remote monitoring of the city of Stockton (Stockton)'s CDBG-CV and ESG-CV program. The primary purpose of the monitoring was to assess the organization's performance and compliance with applicable Federal program requirements. Program performance was evaluated through a review of operations, file documentation, and interviews

HUD's review of these areas of program performance may result in the identification of findings, concerns, or exemplary practices. This letter transmits the monitoring review results and contains two (2) findings. A Finding is a deficiency in program performance based on a violation of a statutory or regulatory requirement. A Concern is a deficiency in program performance that is not based on a statutory or regulatory requirement but is brought to the grantee's attention. Corrective Actions to address noncompliance are identified for all findings. Recommended Corrective Actions are identified for concerns. An exemplary practice is a noteworthy practice or activity being carried out by the grantee and may possibly be duplicated by another grantee.

OVERVIEW

Monitoring is the principal means by which HUD ensures program effectiveness and management efficiency and that programs are carried out in compliance with applicable laws and regulations. It assists grantees in improving their performance, developing or increasing capacity, and augmenting their management and technical skills. Also, it provides a method for staying abreast of CPD-administered programs and technical areas within the communities that HUD programs serve. Monitoring assesses the quality of performance over time and promptly resolves the findings of audits and other reviews. In determining which grantees will be monitored, the Department uses a risk-based approach to rate grantees, programs, and functions, including assessing the Department's exposure to fraud, waste, and mismanagement. This process not only

SCOPE OF REVIEW

The purpose of this review was to determine if the city of Stockton has adequately developed systems and procedures for ensuring that CDBG-CV and ESG-CV funds are used in accordance with program requirements. During the monitoring, Umang Nangrani, CPD Representative, assessed the CDBG-CV program national objective and eligible activities. Additionally, the HUD monitor assessed the ESG-CV program's emergency shelter and rapid rehousing requirements.

SUMMARY OF RESULTS AND CONCLUSIONS

The following areas were reviewed:

CDBG-CV

- National Objective and Eligible Activities

ESG-CV

- Emergency Shelter Requirements
- Rapid Rehousing Requirements

Exhibits from the *Community Planning and Development Monitoring Handbook 6509.2* were used to guide the review. They are available at:

https://www.hud.gov/program_offices/administration/hudclips/handbooks/cpd/6509.2.

Area Reviewed and Results

Community Development Block Grant (CDBG-CV)

The city of Stockton manages the Community Development Block Grant (CDBG-CV) Program as funded and modified under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), otherwise known as CDBG-CV. The purpose of these funds is to prevent, prepare for, and respond to COVID-19 in order to prevent and mitigate the spread of COVID-19 among people experiencing homelessness and the staff that provide services to these individuals. Two projects were selected for review.

Program Year	IDIS Activity	Activity Name
2020	1692	Ent. Grant- Mexican Heritage Center
2019	1723	Artists and Arts Nonprofit Grant Program

Emergency Shelter Requirements

Program participant eligibility was considered as part of this monitoring. Exhibit 36-4E: Guide for Review of Emergency Shelter Requirements for ESG-CV was used to guide the monitoring review and evaluate compliance with 24 CFR Section 576. In addition, interviews with city staff were conducted regarding the procedures used to determine and document eligible activities in emergency shelters.

Based on this monitoring review, it was determined that this area is in compliance with the program requirements for the items that were reviewed.

Rapid Rehousing Requirements

A review of the city's compliance with the requirements specific to Rapid Rehousing projects was performed. Sampled documents, including written policies and procedures, a random sample of client files, and rental assistance financial documents. Exhibit 36-4F: Guide for Review of ESG-CV Rapid Re-housing and Homelessness Prevention Requirements was used to guide the monitoring review and evaluate compliance with 24 CFR Part 576. In addition, interviews were conducted with program staff regarding the procedures used to administer and manage the programs.

Based on this monitoring review, it was determined that the program was not in compliance with all applicable requirements. One (1) monitoring finding related to rental assistance agreements was found. The one (1) finding and one (1) concern are discussed in this section.

Finding 2022-01: The written policies and procedures of the subrecipient did not include documentation pertaining to Equal Access in accordance with (24 CFR Section 5.106(b), 5.106(b)(3), and 5.106(d):

1. Written policies and procedures ensuring equal access is provided to individuals in accordance with the individual's gender identity, and in a manner that affords equal access to the individual's family.
2. Written policies and procedures ensuring that individuals are placed, served, and accommodated in accordance with their gender identity and are not subjected to intrusive questioning or asked to provide anatomical information or documentary, physical, or medical evidence of the individual's gender identity.

Condition: HUD reviewer found the written policies and procedures of the subrecipient did not include documentation pertaining to Equal Access.

Criteria: 24 CFR Section 5.106(b), 5.106(b)(3), and 5.106(d)

Within 30 days from the date of this letter, the city has the opportunity to provide additional information demonstrating that it has met the requirements of each finding. If the city fails to respond within 30 days, or if the response is unsatisfactory to HUD, the city must undertake corrective actions. Similarly, if the city disagrees with any of HUD's determinations or conclusions in this monitoring letter, please address these issues in writing to this Department within 30 days of the date of this letter. The written communication should either provide supporting information to demonstrate the requirement has been met or explain the reasons why the city disagrees, along with supporting evidence. While a response is not required for Concerns, HUD would appreciate any information the city would like to provide. Written responses should be sent to the Department of Housing and Urban Development, San Francisco Regional Office of Community Planning and Development Division at SFCPDMail@hud.gov.

HUD wants to thank the city of Stockton and its staff for their professionalism and cooperation during the review. The city is carrying out valuable programs that are successfully supporting housing and community development activities. If there are any questions, please do not hesitate to contact Umang Nangrani, Community Planning and Development Representative, at Umang.K.Nangrani@hud.gov.

Sincerely,

KIMBERLY NASH

Digitally signed by: KIMBERLY NASH
DN: cn = KIMBERLY NASH G = U.S. Government OU = Department of Housing and Urban Development, Office of Administration
Date: 2022.08.23 10:58:29 -07'00'

Kimberly Nash
Director
Community Planning and
Development Division

Cc:
Carrie Wright
Director, Economic Development



CITY OF STOCKTON

ECONOMIC DEVELOPMENT DEPARTMENT

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www.stocktonca.gov

December 21, 2021

Kimberly Nash, Director
Department of Housing and Urban Development
Community Planning and Development Division
San Francisco Regional Office – Region IX
One Sansome Street, Suite 1200
San Francisco, CA 94104

2021 HUD MONITORING

The following is the City of Stockton's response to the U.S. Department of Housing and Urban Development's (HUD) October 20, 2021 letter regarding the 2021 Remote Monitoring Review.

Please note: Ken Matsumiya, Finance Director, is listed in the Other Participants area of the HUD letter. Ken Matsumiya is not employed with the City of Stockton. Jacque Crisostomo, Administrative Analyst II with the City of Stockton, participated in the review process and will need to be added to the list.

Finding 1: HUD requested the City to take the following actions:

1. Review and revise as needed financial management policies and procedures that shows its accounting records correctly identified all sources and uses of funds, including HOME grant funds, and other related funds received by Stockton.
2. The system must identify the Code of Federal Domestic Assistance (CFDA) title and number, Federal award identification number and year, name of the Federal agency, or HOME grant program, when applicable.
3. Submit relevant records regarding Medici Artist Lofts pertaining to Exhibit 7-25.

Response:

1. The City's financial management policies and procedures have been revised to ensure accounting records correctly identify all sources and uses of funds. All HUD funding received by the City of Stockton is managed/administered in separate funds (i.e. HOME funds were in fund 058 in the HTE system, and in Fund 230-233 in Munis System). Effective February 2021, the City of Stockton

transitioned financial systems, from HTE to Tyler Munis. Regular fund reconciliation, including all HUD-related funds, is conducted by the City's Housing Accountant, as well as the Economic Development Department's Fiscal team.

2. City staff acknowledged that due to limitations of the City's former financial system (HTE), the City did not enter CFDA numbers or track funding by grant year but used its own set of sequencing digits to identify and track federal restricted funding. This tracking was done through complimentary Excel systems. The City has updated its current policies and procedures to reflect the capabilities of its new Financial System (Munis) which does allow for additional grant information to be managed within the system
3. Please see included **packet related to financials for Medici Artist Lofts**.

Finding 2: HUD requested the City to take the following actions:

1. Determine the actual service area of the ice arena and submit this documentation to HUD.
2. Identify the percentage of low- and moderate-income persons in the service area covered the ice arena and determine if the service area meets the 51% overall benefit requirement.
3. Submit this documentation to HUD for review.
4. Review the agreement with Oak Park Ice Arena to ascertain any provisions for program income and advise this office of the result.

Response:

1. The improvements to the Oak Park Ice Rink were first included in the City's 2018-2019 Annual Action Plan, with the City using census tract maps to identify the location of the project site and the associated median household income for the immediate area. As a result, the City did not collect client level data for anyone utilizing the Rink, instead relying on the surrounding census tracts to document the service area of the project.

The City of Stockton has reviewed the limited available data for the Oak Park Ice Rink and determined that the data is incomplete and does not provide an accurate description of the project service area. Due to the closure of the Rink during the COVID-19 pandemic, and the ensuing improvements that took place, there is no extant data which demonstrates the individuals utilizing the rink. With the Rink reopening under limited capacity on July 10, 2021, the City is now better equipped to track and report on the data for the Oak Park Ice Rink.

In order to accurately describe the actual service area of the Rink, the City will collect client-level information for all individuals utilizing the Rink, including the following groups:

- Youth Hockey (U6, U8, U10, U12, U14)
 - High School Hockey
 - Adult Hockey
 - Public Skating Sessions
 - Learn-to-Skate
 - Try Hockey and Try Skating for Free Programs
 - Sled Hockey
 - Figure Skating Lessons
 - Adult Curling Club
 - The Party Room, used for kids' birthday parties
2. On March 16, 2020, the Oak Park Ice Rink closed as a result of the COVID-19 pandemic and has not yet fully reopened to pre-pandemic capacity levels. Beginning on February 1, 2022, the City will collect client level information for individuals utilizing the Rink. The data will be collected utilizing income self-certification forms to identify the project service area and confirm the area meets the 51% overall benefit requirement.
 3. Once the data has been collected, the City will submit the service area map and documentation confirming the 51% overall benefit to HUD by June 30, 2022 for review.
 4. The City of Stockton owns the Oak Park Ice Rink and contracts with a third-party event management company, ASM, Inc., to provide the day-to-day operating services. ASM is paid a flat annual operating fee to manage the facility, using City funding for all operations. While fees are collected from participants for use of the ice, these service fees fall short of covering operating expenses and therefore the City subsidizes the ice rink annually, approximately \$300,000. **Copies of the Oak Park Ice Rink operating budget for 2020/21, 2019/20, and 2018/19 are included as attachments.** The previous audit questionnaire regarding the program income was left blank as there is no positive program net/income.

Finding 3: HUD requested the following:

1. The City is requested to review its procedures for doing the QPR, ascertain any changes that need to be made to ensure compliance in the future, and advise the Department of any revisions.

Response:

1. The City's **NSP Quarterly Performance Reports (QPR) Procedures** have been reviewed for compliance and have been revised to include language regarding certification and access to DRGR processes. Due to access limitations to the DRGR system, City staff had been unable to submit quarterly reports. City staff were in communication with HUD staff and DRGR experts, over several months, to work towards a solution for gaining access to the DRGR system to

Kimberly Nash
December 2021
Page 2

be able to submit the pending reports. E-mail correspondence between HUD and the City detailing the access issues can be made available upon request. Access was restored on November 3, 2021, and the City's IT department determined the access limitations were due to the City's firewall policy. The City has submitted all pending reports and is awaiting HUD's review and approval.

If you have any questions or need any additional information, please contact Ty Wilson-Robinson, Deputy Housing Director, via email at ty.wilson-robinson@stocktonca.gov or by telephone at (209) 937-7585.

A handwritten signature in black ink, appearing to read 'CW', is positioned above the typed name of the signatory.

CARRIE WRIGHT, DIRECTOR
ECONOMIC DEVELOPMENT DEPARTMENT

Enclosures



U.S. Department of Housing and Urban Development

San Francisco Regional Office - Region IX
One Sansome Street, Suite 1200
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www.hud.gov

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November 30, 2021

Carrie Wright
Director, Economic Development Department
City of Stockton
400 East Main Street
Stockton, CA 95202-3003

Dear Ms. Wright:

SUBJECT: Results of Federal Fiscal Year (FFY) 2021 Remote Monitoring Review
HOME Investment Partnerships Program (HOME)
Program Year: 2019
Grant Number: M-19-MC060221
Community Development Block Grant (CDBG)
Program Year: 2019
Grant Number: B-19-MC-06-0026
Neighborhood Stabilization Program (NSP 1)
Grant Number: B-08-MN-06-0009
Monitoring Dates: June 21, 2021, to July 06, 2021

During the period of June 21, 2021, through July 06, 2021, the U.S. Department of Housing and Urban Development (HUD or Department) conducted a remote monitoring of the city of Stockton (Stockton)'s HOME, CDBG, and NSP program. The primary purpose of the monitoring was to assess Stockton's performance and compliance with program regulations and requirements. The Department selected Medici Artist Lofts for its review of the HOME program and Oak Park Ice Arena in reviewing Stockton's CDBG program. In addition, the Department reviewed the NSP program for compliance with the continued affordability requirements. Program performance was assessed through a review of policies and procedures, file documentation, and staff interviews.

HUD's review of these areas of program performance may result in the identification of Findings, Concerns, or exemplary practices. This letter transmits the monitoring review results and contains three Findings and no Concerns.

A Finding is a deficiency in program performance based on a violation of a statutory, regulatory, or grant agreement requirement. A Concern is a deficiency in program performance that is not based on a statutory, regulatory, or grant agreement requirement but is brought to the grantee's attention. Requested Corrective Actions to address the noncompliance are identified for all Findings.

OVERVIEW

Monitoring is the principal means by which HUD ensures program effectiveness and management efficiency, and that programs are being carried out in compliance with applicable laws and regulations. It assists grantees in improving its performance, developing or increasing capacity, and augmenting its management and technical skills. Also, it provides a method for staying abreast of CPD-administered projects and technical areas within the communities that HUD programs serve. Monitoring assesses the quality of grantee's performance over time and its ability to promptly resolve the findings of audits and other reviews. In determining which recipients will be monitored, the Department uses a risk-based approach to rate grantees, programs, and functions, including assessing its exposure to fraud, waste, and mismanagement. This process not only assists the Department in determining which grantees to monitor but also identifies which programs and functions will be reviewed.

Specifics relating to this review are as follows:

HUD Reviewer(s): Curt Klaus, Senior CPD Representative
Umang Nanrani, CPD Representative

Grantee Staff and
Other Participants:

Ty Wilson Robinson, Deputy Housing Director
Ken Matsumiya, Finance Director
Jordan Peterson, Acting Housing Manager
Raquel Chavarria, Program Manager III
Vincent Newman-Brooks, Program Manager I

Entrance Conference:

Date June 21, 2021
HUD Representatives Curt Klaus, Senior CPD Representative
Umang Nanrani, CPD Representative

Exit Conference:

Date July 06, 2021
HUD Representatives Curt Klaus, Senior CPD Representative
Umang Nanrani, CPD Representative

City Representatives

Ty Wilson Robinson, Deputy Housing Director
Jordan Peterson, Acting Housing Manager

SUMMARY OF RESULTS AND CONCLUSIONS

The focus of the monitoring review centered on the following areas:

HOME

Medici Artist Lofts IDIS Activity Number 1491

- Exhibit 7-25: Guide for Review of Program Oversight, Financial Management, and Cost Allowability
- Exhibit 24-1: Guide for Review of Lead-Based Paint Compliance in Properties Receiving Federal Rehabilitation Assistance
- Exhibit 34-1A: Guide for Review of Financial Management and Audits

- Exhibit 7-30: Guide for Review of Rental Project Compliance and/or Policies & Procedures
- Exhibit 7-34: Guide for Review of Contractor Written Agreements

CDBG

Oak Park Ice Arena IDIS Activity Number 1590

- Exhibit 3-2: Guide for Review of National Objective of Low- and Moderate-Income Area Benefit
- Exhibit 3-25: Guide for Review of CDBG-Funded Public Facilities/Improvements

NSP

- Exhibit 8-14: Guide for Review of NSP-1 Continued Affordability

Exhibits used to guide the review are from The Community Planning and Development Handbook 6509.2; they are available at:

<http://portal.hud.gov/hudportal/HUD?src=/programoffices/administration/hudclips/handbooks/cpd/6509.2>.

The monitoring letter sent on June 7, 2021, noted two additional exhibits:

- Exhibit 7-30: Guide for Review of Rental Project Compliance and/or Policies & Procedures, and
- Exhibit 7-34: Guide for Review of Contractor Written Agreements.

The use of these exhibits is triggered by questions in Exhibit 7-25. The HUD monitors determined these exhibits were not applicable to the review based on the project information provided during the monitoring session and time constraints.

HOME Grant and Financial Management

The city of Stockton is a participating jurisdiction (Stockton) that is a direct recipient of HOME funds from HUD. The Department reviewed the city's HOME general policies and procedures, those specific to rental development activities, and financial management records to determine the city's compliance with overall grant and financial management requirements. The HUD staff selected Medici Artist Lofts (IDIS) activity #1491 as part of its review of the HOME program, including the written agreements and other documents required to be in the project file.

To be in compliance with Federal regulations pertaining to the management of the HOME Program, a grantee must meet all program requirements, particularly those under 24 CFR Section 92.502 and 24 CFR Section 92.508. HUD staff reviewed Stockton's policies and procedures and interviewed the staff.

With regard to compliance with Federal regulations pertaining to the financial management of the HOME Program, a grantee must meet all program requirements, particularly those under 2 CFR Part 200, 24 CFR Section 92.502, and 24 CFR Section 92.508. HUD staff reviewed Stockton's financial management system, reviewed a sample of financial records, and interviewed assigned financial management staff.

The staff reviewed Stockton's processes that demonstrate adequate budget controls in compliance with 2 CFR Section 200. This action included a review of Stockton's process for periodic account reconciliation. The financial management staff for Stockton's noted the account reconciliation is conducted as a part of the balance process. No documentation was submitted showing budget controls including evidence of periodic account reconciliation. Therefore, Stockton did not comply with 2 CFR Section 200.302(b)(1) and (b)(3), 24 CFR Section 92.508. Pursuant to these requirements, the financial management system of each non-Federal entity must provide for identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received.

Finding Number 2021-01: Financial management procedures were inadequate on multiple parameters and prevented the Department from determining whether HOME funds were used in compliance with multiple financial management requirements. The City was missing evidence of periodic account reconciliation in its financial management system for its HOME awards.

Condition:

Stockton provided the monitor with a Chart of Accounts and General Ledger, in response to HUD's document request. Neither the Chart of Accounts or the General Ledger identified the Code of Federal Domestic Assistance (CFDA) title and number, Federal award identification number and year, name of the Federal agency, or HOME grant program. The records classified the expenditures under incorrect identifiers. Each grant must have its own stand-alone fund account. The accounting system did not uniformly classify grant funds and expenditures. Documents submitted does not show source and application of program income, repayments and recaptured funds. The City did not submit adequate supporting documentation for a number of areas including:

- source and application of funds for each year
- budget controls including evidence of periodic account reconciliation
- Evidence that HOME funds are disbursed in 15 days
- Reporting program income in IDIS

Criteria:

Per 24 CFR Section 92.508(a)(5)(iv):

(a) General. Each participating jurisdiction must establish and maintain sufficient records to enable HUD to determine whether the participating jurisdiction has met the requirements of this part. At a minimum, the following records are needed:

(5) Financial records. (i) Records, in accordance with 2 CFR 200.302, identifying the source and application of funds for each fiscal year, including the formula allocation, any reallocation (identified by federal fiscal year appropriation), and any State or local funds provided under §92.102(b).

(iv) Records demonstrating adequate budget control and other records required by 2 CFR 200.302, including evidence of periodic account reconciliations.

Chart of Accounts or the General Ledger must identify the Code of Federal Domestic Assistance (CFDA) title and number, Federal award identification number and year, name of the Federal agency, or HOME grant program. Each of the grants should have a separate fund account assignment.

Cause:

Staff does not appear to be aware of HOME accounting requirements and procedures or failed to submit documentation to demonstrate compliance.

Effect:

The funds have not been drawn correctly. If the periodic account reconciliation is not conducted or is inaccurate, it can lead to discrepancies between what Stockton is recording internally and what it is reporting in IDIS.

Requested Corrective Action:

Within 30 days from the date of this letter, the City should take the following actions:

- Review and revise as needed financial management policies and procedures that shows its accounting records correctly identified all sources and uses of funds, including HOME grant funds, and other related funds received by Stockton.
- The system must identify the Code of Federal Domestic Assistance (CFDA) title and number, Federal award identification number and year, name of the Federal agency, or HOME grant program, when applicable.
- Submit relevant records regarding Medici Artist Lofts pertaining to Exhibit 7-25.

Community Development Block Grant Program

Meeting a CDBG National Objective

Using Exhibit 3-2 Guide for Review of National Objective of Low- and Moderate-Income Area Benefit (LMA), the Department selected Oak Park Ice Arena IDIS Activity Number 1590 for review of compliance with the LMA national objective requirements at 24 CFR Section 570.201 and 570.208 respectively.

The regulations at 24 CFR Section 570.208(a)(1) require grantees carrying out CDBG-funded activities under the low- to moderate-income area benefit establish a service area that: 1) is primarily residential; and 2) whose percentage of LMI residents is 51 percent or above. The regulations at 24 CFR Section 570.506(a) require grantees to maintain records that provide a full description of each activity assisted with CDBG funds, including its location, the amount of CDBG funds budgeted, obligated, and expended for the activity, and the provision in subpart C in the regulations under which the activity is eligible.

In order to determine whether primarily low- and moderate-income persons received benefit from the Oak Park Ice improvements, Stockton had to maintain adequate documentation of the actual service area of the activity and that at least 51 percent of the residents of it is LMI.

When the Department initially reviewed the files for this activity, they did not contain any national objective documentation. Upon request, grantee staff members were able to provide additional documentation to evaluate compliance with the requirements.

Upon review, the Department determined that Stockton's records did not accurately describe the boundaries of the service area. The facility appears to host regional events, including a local hockey team. As it is, the monitor found that Stockton's approach for determining the actual service is understated given the nature and the scope of the activities that occur at the Oak Park Ice Arena. The Department concluded that there was no evidence that the actual service of facility consists of over 51 percent LMI persons.

As a result of this eligibility and national objective review, the following finding is identified:

Finding Number 2021-02: Oak Park Ice Arena Rehabilitation Project did not demonstrate that the activity met a CDBG national objective, as required under 24 CFR Section 570.208

Condition:

Upon review of the documentation that support the national objective for Oak Park activity, HUD determined that the actual service area of project was understated. The city records identified a service area which was much smaller than the real one. Oak Park Ice Arena appears to serve a multi-county region. Furthermore, HUD did not find any evidence that CDBG had accrued any program income from the proceeds as a result of the improvements made at facility.

Criteria:

Pursuant to 24 CFR Section 570.208(a)(1), area benefit activities, an activity, under this criterion, benefits all the residents in a particular area, where at least 51 percent of the residents are low- and moderate-income persons and the area must be residential. Such an area need not be coterminous with census tracts or other officially recognized boundaries but must be the entire area served by the activity. The city is required to maintain the following records for each area benefit activity: (1) the boundaries of the service area and the city's basis for determining those boundaries, and (2) the percentage of L/M income persons in the service area and the data used for determining that percentage. An accurate service map with the census data would help to demonstrate compliance. In addition, 24 CFR Section 570.500(a) states that income from use or rent of real property improved with CDBG is program income.

Cause:

The City was not adequately trained on the criteria for documenting a national objective for area benefit activities and did not identify the actual service area (Oak Park Ice Arena) to

support national objective compliance. In addition, the city did not appear to be aware of the program income implication of the assistance.

Effect:

The city may have funded ineligible activity that may result in a repayment to the line of credit and may have foregone program income that could have been used to finance additional CDBG activities.

Requested Corrective Action:

Within 30 days from the date of this letter, the City should take the following actions:

1. Determine the actual service area of the ice arena and submit this documentation to HUD.
2. Identify the percentage of low- and moderate-income persons in the service area covered the ice arena and determine if the service area meets the 51% overall benefit requirement.
3. Submit this documentation to HUD for review.
4. Review the agreement with Oak Park Ice Arena to ascertain any provisions for program income and advise this office of the result.

Within 30 days from the date of this letter, City must provide this office with appropriate documentation that Oak Park Ice Arena met a CDBG national objective in accordance with the criteria described above. Not properly documenting national objective may result in the city returning \$925,000 to the line of credit with non-federal funds.

The failure to identify the actual service area of an activity involving a significant investment of CDBG funds may warrant a review of other CDBG funded activities to confirm each meets the identified national objective. The City's Housing Department has begun revising its the policies and procedures used in the administration of the CDBG program. Protocols for ensuring an appropriate national objective will be met for each activity may be an area worthy of additional review.

Neighborhood Stabilization Program (NSP)

Condition

The Department reviewed the city's Neighborhood Stabilization Program (NSP) for continued affordability requirements. Exhibit 8-14 was used to guide the review. HUD determined that policies and procedures and monitoring checklists were in place. However, the Department noted the city did not submit its Quarterly Progress Report for the past year for its two open NSP grants.

Finding Number 2021-03 NSP QPRs not submitted the past year

Criteria

2 Section 200.328 requires the grantee to submit Quarterly Progress Reports.

Cause

City staff has had difficulty accessing the DRGR system due to access expiration.

Effect

The city could not effectively report its program performance.

Corrective Action

The city is requested to review its procedures for doing the QPR, ascertain any changes that need to be made to ensure compliance in the future, and advise the Department of any revisions within 30 days of the date of this letter.

HUD would like to thank Stockton for its cooperation during the review. Once Stockton has submitted the requested documents, the Department will conduct a review and determine if any additional remedial actions are necessary. If Stockton has any additional questions, please contact Umang Nanrani, Community Planning and Development Representative, at Umang.K.Nanrani@HUD.gov.

Sincerely,

ANGELO TOM  Digitally signed by ANGELO TOM
Date: 2021.11.30 14:36:36 -08'00'

For Kimberly Nash
Director
Community Planning
and Development Division



U.S. Department of Housing and Urban Development

San Francisco Regional Office - Region IX

One Sansome Street, Suite 1200

San Francisco, California 94104

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October 20, 2021

Carrie Wright
Director, Economic Development Department
City of Stockton
400 East Main Street
Stockton, CA 95202-3003

Dear Ms. Wright:

SUBJECT: Results of Federal Fiscal Year (FFY) 2021 Remote Monitoring Review
HOME Investment Partnerships Program (HOME)
Program Year: 2019
Grant Number: M-19-MC060221
Community Development Block Grant (CDBG)
Program Year: 2019
Grant Number: B-19-MC-06-0026
Neighborhood Stabilization Program (NSP 1)
Grant Number: B-08-MN-06-0009
Monitoring Dates: June 21, 2021, to July 06, 2021

During the period of June 21, 2021, through July 06, 2021, the U.S. Department of Housing and Urban Development (HUD or Department) conducted a remote monitoring of the city of Stockton (Stockton)'s HOME, CDBG, and NSP program. The primary purpose of the monitoring was to assess Stockton's performance and compliance with program regulations and requirements. The Department selected Medici Artist Lofts for its review of the HOME program and Oak Park Ice Arena in reviewing Stockton's CDBG program. In addition, the Department reviewed the NSP program for compliance with the continued affordability requirements. Program performance was assessed through a review of policies and procedures, file documentation, and staff interviews.

HUD's review of these areas of program performance may result in the identification of Findings, Concerns, or exemplary practices. This letter transmits the monitoring review results and contains three Findings and no Concerns.

A Finding is a deficiency in program performance based on a violation of a statutory, regulatory, or grant agreement requirement. A Concern is a deficiency in program performance that is not based on a statutory, regulatory, or grant agreement requirement but is brought to the grantee's attention. Requested Corrective Actions to address the noncompliance are identified for all Findings.

SUMMARY OF RESULTS AND CONCLUSIONS

The focus of the monitoring review centered on the following areas:

HOME

Medici Artist Lofts IDIS Activity Number 1491

- Exhibit 7-25: Guide for Review of Program Oversight, Financial Management, and Cost Allowability
- Exhibit 24-1: Guide for Review of Lead-Based Paint Compliance in Properties Receiving Federal Rehabilitation Assistance
- Exhibit 34-1A: Guide for Review of Financial Management and Audits

- Exhibit 7-30: Guide for Review of Rental Project Compliance and/or Policies & Procedures
- Exhibit 7-34: Guide for Review of Contractor Written Agreements

CDBG

Oak Park Ice Arena IDIS Activity Number 1590

- Exhibit 3-2: Guide for Review of National Objective of Low- and Moderate-Income Area Benefit
- Exhibit 3-25: Guide for Review of CDBG-Funded Public Facilities/Improvements

NSP

- Exhibit 8-14: Guide for Review of NSP-1 Continued Affordability

Exhibits used to guide the review are from The Community Planning and Development Handbook 6509.2; they are available at:

<http://portal.hud.gov/hudportal/HUD?src=/programoffices/administration/hudclips/handbooks/cpd/6509.2>.

The monitoring letter sent on June 7, 2021, noted two additional exhibits:

- Exhibit 7-30: Guide for Review of Rental Project Compliance and/or Policies & Procedures, and
- Exhibit 7-34: Guide for Review of Contractor Written Agreements.

Condition:

Stockton provided the monitor with a Chart of Accounts and General Ledger, in response to HUD's document request. Neither the Chart of Accounts or the General Ledger identified the Code of Federal Domestic Assistance (CFDA) title and number, Federal award identification number and year, name of the Federal agency, or HOME grant program. The records classified the expenditures under incorrect identifiers. Each grant must have its own stand-alone fund account. The accounting system did not uniformly classify grant funds and expenditures. Documents submitted does not show source and application of program income, repayments and recaptured funds. The City did not submit adequate supporting documentation for a number of areas including:

- source and application of funds for each year
- budget controls including evidence of periodic account reconciliation
- Evidence that HOME funds are disbursed in 15 days
- Reporting program income in IDIS

Criteria:

Per 24 CFR Section 92.508(a)(5)(iv):

(a) General. Each participating jurisdiction must establish and maintain sufficient records to enable HUD to determine whether the participating jurisdiction has met the requirements of this part. At a minimum, the following records are needed:

(5) Financial records. (i) Records, in accordance with 2 CFR 200.302, identifying the source and application of funds for each fiscal year, including the formula allocation, any reallocation (identified by federal fiscal year appropriation), and any State or local funds provided under §92.102(b).

(iv) Records demonstrating adequate budget control and other records required by 2 CFR 200.302, including evidence of periodic account reconciliations.

Chart of Accounts or the General Ledger must identify the Code of Federal Domestic Assistance (CFDA) title and number, Federal award identification number and year, name of the Federal agency, or HOME grant program. Each of the grants should have a separate fund account assignment.

Cause:

Staff does not appear to be aware of HOME accounting requirements and procedures or failed to submit documentation to demonstrate compliance.

When the Department initially reviewed the files for this activity, they did not contain any national objective documentation. Upon request, grantee staff members were able to provide additional documentation to evaluate compliance with the requirements.

Upon review, the Department determined that Stockton's records did not accurately describe the boundaries of the service area. The facility appears to host regional events, including a local hockey team. As it is, the monitor found that Stockton's approach for determining the actual service is understated given the nature and the scope of the activities that occur at the Oak Park Ice Arena. The Department concluded that there was no evidence that the actual service of facility consists of over 51 percent LMI persons.

As a result of this eligibility and national objective review, the following finding is identified:

Finding Number 2021-02: Oak Park Ice Arena Rehabilitation Project did not demonstrate that the activity met a CDBG national objective, as required under 24 CFR Section 570.208

Condition:

Upon review of the documentation that support the national objective for Oak Park activity, HUD determined that the actual service area of project was understated. The city records identified a service area which was much smaller than the real one. Oak Park Ice Arena appears to serve a multi-county region. Furthermore, HUD did not find any evidence that CDBG had accrued any program income from the proceeds as a result of the improvements made at facility.

Criteria:

Pursuant to 24 CFR Section 570.208(a)(1), area benefit activities, an activity, under this criterion, benefits all the residents in a particular area, where at least 51 percent of the residents are low- and moderate-income persons and the area must be residential. Such an area need not be coterminous with census tracts or other officially recognized boundaries but must be the entire area served by the activity. The city is required to maintain the following records for each area benefit activity: (1) the boundaries of the service area and the city's basis for determining those boundaries, and (2) the percentage of L/M income persons in the service area and the data used for determining that percentage. An accurate service map with the census data would help to demonstrate compliance. In addition, 24 CFR Section 570.500(a) states that income from use or rent of real property improved with CDBG is program income.

Cause:

The City was not adequately trained on the criteria for documenting a national objective for area benefit activities and did not identify the actual service area (Oak Park Ice Arena) to

Finding Number 2021-03 NSP QPRs not submitted the past year

Criteria

2 Section 200.328 requires the grantee to submit Quarterly Progress Reports.

Cause

City staff has had difficulty accessing the DRGR system due to access expiration.

Effect

The city could not effectively report its program performance.

Corrective Action

The city is requested to review its procedures for doing the QPR, ascertain any changes that need to be made to ensure compliance in the future, and advise the Department of any revisions within 30 days of the date of this letter.

HUD would like to thank Stockton for its cooperation during the review. Once Stockton has submitted the requested documents, the Department will conduct a review and determine if any additional remedial actions are necessary. If Stockton has any additional questions, please contact Umang Nangrani, Community Planning and Development Representative, at Umang.K.Nangrani@HUD.gov.

Sincerely,

KIMBERLY NASH

Digitally signed by: KIMBERLY NASH
DN: CN = KIMBERLY NASH C = U.S. Government OU = Department of Housing and Urban Development, Office of Administration
Date: 2021.10.20 09:42:03 -07'00'

Kimberly Nash
Director
Community Planning
and Development Division